

Machinery used to shred and bale paper could qualify for the exemption if such equipment is used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. See 86 Ill. Adm. Code 130.330(b) (This is a GIL.)

July 21, 2003

Dear Xxxxx:

This letter is in response to your letter dated May 13, 2003. The information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/Laws/regs/part1200>.

In your letter you stated and made inquiry as follows:

I am writing to request a Private Letter Ruling according to Illinois Administrative Code, Ch. 1, Sec. 1200-110(b). I submit the following facts and information as prescribed in the code:

- 1) AAA shreds and bales paper in the CITY area for recycling. The company invested in paper shredding equipment for a mobile and off-site shredding operation. In addition the company has invested in a truck, generator, lift equipment, forklift, floor scale, conveyor and paper baler.
- 2) The paper is picked up from a customer location and either shredded at the customer's facility in our truck, using a generator and a mobile commercial paper shredder, or it is brought back to our facility in CITY2, Illinois and shredded at our facility.
- 3) At our facility, the paper is sorted by its various grades and then shred into 5/16" wide strips rendering the documents totally illegible. Once shredded the paper is conveyed into a horizontal baler that will compact the paper into bales that are 72"x30"x42" and weighing from 1,400 pounds to 2,000 pounds. The bales are then picked up by a forklift, weighed and stacked in our warehouse. Once we accumulate 40,000 pounds of each category of baled paper, we will contact our paper broker who will dispatch a truck to pick up the paper for delivery to a local paper mill.
- 4) The final product is industrial grade tissue products, mostly paper towels.

It is my belief that the shredding equipment listed above qualifies as manufacturing machinery/equipment. We are asking for a ruling on whether the paper shredders,

baler, conveyor, forklift, scale, truck, lift equipment and generator are considered manufacturing machinery and equipment under 86 Illinois Administrative Code 130.330.

We are not aware of any authority contrary to the belief expressed in the paragraph above. To the best of our knowledge we believe the Department has not previously ruled on the same or similar paper shredding equipment issue. AAA seeks this ruling for the calendar tax period 2003 and beyond.

Thank you for your consideration. Please feel free to contact me should you have questions or need additional information to process this request for a Private Letter Ruling. I can be reached at the letterhead phone number and address.

We are unable to respond to your letter in the manner requested. Below you will find general information and an explanation of the Manufacturing Machinery and Equipment tax exemption that will help you in determining your tax liability. Enclosed for your reference please also find a copy of the Department regulations governing the exemption from sales tax afforded the sale of manufacturing machinery and equipment, 86 Ill. Adm. Code 130.330.

Machinery and equipment that is used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease is exempt from Retailers' Occupation Tax. The manufacturing process is the production of any article of tangible personal property, whether such article is a finished product or an article for use in the process of manufacturing or assembling a different article of tangible personal property, by procedures commonly regarded as manufacturing, processing, fabricating, or refining which changes some existing material or materials into a material with a different form, use or name. These changes must result from the process in question and be substantial and significant. See Section 130.330(b)(2).

Your letter provided insufficient factual information to form an opinion regarding the eligibility for exemption of the purchase of paper shredders, balers and generators. Generally speaking, machinery used to shred and bale paper could qualify for the exemption if such equipment is used primarily in the manufacturing or assembling of tangible personal property for wholesale or retail sale or lease. To the extent that such machinery is used primarily to change paper into material with a different form or use, and that material is sold at wholesale or retail or leased, such machinery would qualify for the exemption. See Section 130.330(e)(3).

Regarding the purchase of the conveyor, forklift, scale, truck and lift equipment, we are unable to form an opinion regarding the taxability of such sales as your letter does not supply sufficient information regarding the use of such machinery before, during or after the production cycle. Generally speaking, machinery and equipment used to convey, handle, or transport tangible personal property to be sold within production stations on the production line or directly between such production stations or buildings within the same plant qualify for the manufacturing machinery and equipment exemption. See Section 130.330(d)(3)(D). However, machinery and equipment used to store, convey, handle or transport materials or parts or sub-assemblies prior to their entrance in to the production cycle do not generally qualify for the manufacturing machinery and equipment exemption. See Section 130.330(d)(4)(C). Likewise, machinery and equipment used to store, convey, handle or transport finished articles of tangible personal property to be sold or leased after completion of the production cycle do not qualify for the exemption. See 130.330(d)(4)(D). Additionally, the use of machinery or equipment to transport work in process, or semifinished goods, between plants do not qualify for the exemption. See Section 130.330(d)(4)(E).

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Sincerely,

Dana Deen Kinion  
Associate Counsel

DDK:msk  
Enc.